

PILGRIMS PRIDE CORP

Form 10-Q

October 27, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 25, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 1-9273

PILGRIM'S PRIDE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 75-1285071

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1770 Promontory Circle, 80634-9038
Greeley, CO

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (970) 506-8000

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock, \$0.01 par value per share, as of October 26, 2016, was 251,330,211.

INDEX

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. <u>Condensed Consolidated Financial Statements</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>2</u>
<u>September 25, 2016 and December 27, 2015</u>	
<u>Condensed Consolidated Statements of Income</u>	<u>3</u>
<u>Thirteen and Thirty-Nine Weeks Ended September 25, 2016 and September 27, 2015</u>	
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Thirteen and Thirty-Nine Weeks Ended September 25, 2016 and September 27, 2015</u>	
<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>5</u>
<u>Thirty-Nine Weeks Ended September 25, 2016 and September 27, 2015</u>	
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Thirty-Nine Weeks Ended September 25, 2016 and September 27, 2015</u>	
<u>Notes to Condensed Consolidated Financial Statements as of September 25, 2016</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>41</u>
Item 4. <u>Controls and Procedures</u>	<u>43</u>
<u>PART II. OTHER INFORMATION</u>	<u>45</u>
Item 1. <u>Legal Proceedings</u>	<u>45</u>
Item 1A. <u>Risk Factors</u>	<u>46</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>46</u>
Item 6. <u>Exhibits</u>	<u>48</u>
<u>SIGNATURES</u>	<u>49</u>
<u>EXHIBIT INDEX</u>	<u>50</u>

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 25, 2016	December 27, 2015
	(Unaudited)	
	(In thousands)	
Cash and cash equivalents	\$85,994	\$ 439,638
Trade accounts and other receivables, less allowance for doubtful accounts	350,810	348,994
Account receivable from related parties	3,491	2,668
Inventories	796,808	801,357
Income taxes receivable	51,057	71,410
Prepaid expenses and other current assets	75,686	75,602
Assets held for sale	6,049	6,555
Total current assets	1,369,895	1,746,224
Other long-lived assets	15,887	15,672
Identified intangible assets, net	40,548	47,453
Goodwill	125,607	156,565
Property, plant and equipment, net	1,450,352	1,352,529
Total assets	\$3,002,289	\$ 3,318,443
Notes payable to banks	\$—	\$ 28,726
Accounts payable	494,076	482,954
Account payable to related parties	9,689	7,000
Accrued expenses and other current liabilities	297,214	314,966
Income taxes payable	43,258	13,228
Current maturities of long-term debt	92	86
Total current liabilities	844,329	846,960
Long-term debt, less current maturities	1,004,840	985,509
Deferred tax liabilities	144,423	131,882
Other long-term liabilities	91,890	92,282
Total liabilities	2,085,482	2,056,633
Common stock	2,597	2,597
Treasury stock	(119,566)	(99,233)
Additional paid-in capital	1,681,005	1,675,674
Accumulated deficit	(591,253)	(261,252)
Accumulated other comprehensive loss	(65,848)	(58,930)
Total Pilgrim's Pride Corporation stockholders' equity	906,935	1,258,856
Noncontrolling interest	9,872	2,954
Total stockholders' equity	916,807	1,261,810
Total liabilities and stockholders' equity	\$3,002,289	\$ 3,318,443

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

PILGRIM'S PRIDE CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25,	September 27,	September 25,	September 27,
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net sales	\$2,031,721	\$2,112,529	\$6,022,973	\$6,219,324
Cost of sales	1,821,504	1,827,985	5,289,063	5,125,640
Gross profit	210,217	284,544	733,910	1,093,684
Selling, general and administrative expense	46,116	52,620	144,424	150,961
Administrative restructuring charges	279	792	279	5,605
Operating income	163,822	231,132	589,207	937,118
Interest expense, net of capitalized interest	11,959	10,501	35,540	26,870
Interest income	(125)	(319)	(1,501)	(3,086)
Foreign currency transaction loss (gain)	4,142	12,773	(837)	23,806
Miscellaneous, net	(1,741)	(2,071)	(5,637)	(7,135)
Income before income taxes	149,587	210,248	561,642	896,663
Income tax expense	51,060	73,153	192,062	313,751
Net income	98,527	137,095	369,580	582,912
Less: Net income (loss) attributable to noncontrolling interests	(130)	33	(334)	146
Net income attributable to Pilgrim's Pride Corporation	\$98,657	\$137,062	\$369,914	\$582,766
Weighted average shares of common stock outstanding:				
Basic	254,460	259,280	254,607	259,540
Effect of dilutive common stock equivalents	460	223	430	225
Diluted	254,920	259,503	255,037	259,765
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:				
Basic	\$0.39	\$0.53	\$1.45	\$2.25
Diluted	\$0.39	\$0.53	\$1.45	\$2.24

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

PILGRIM'S PRIDE CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2016	September 27, 2015	September 25, 2016	September 27, 2015
	(In thousands)			
Net income	\$98,527	\$137,095	\$369,580	\$582,912
Other comprehensive income (loss):				
Gain (loss) associated with available-for-sale securities, net of tax expense (benefit) of \$43, \$(41) and \$30, respectively	—	70	(67) 50
Gain (loss) associated with pension and other postretirement benefits, net of tax expense (benefit) of \$1,139, \$(6,206), \$(4,155) and \$(2,129), respectively	1,878	(10,234) (6,851) (3,511
Total other comprehensive income (loss), net of tax	1,878	(10,164) (6,918) (3,461
Comprehensive income	100,405	126,931	362,662	579,451
Less: Comprehensive income (loss) attributable to noncontrolling interests	(130) 33	(334) 146
Comprehensive income attributable to Pilgrim's Pride Corporation	\$100,535	\$126,898	\$362,996	\$579,305

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 (Unaudited)

	Pilgrim's Pride Corporation Stockholders				Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	Common Stock Shares	Treasury Stock Amount	Treasury Stock Shares	Treasury Stock Amount					
	(In thousands)								
Balance at December 27, 2015	259,685	\$2,597	(4,862)	\$(99,233)	\$1,675,674	\$(261,252)	\$(58,930)	\$2,954	\$1,261,810
Net income (loss)	—	—	—	—	—	369,914	—	(334)	369,580
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6,918)	—	(6,918)
Share-based compensation plans: Requisite service period recognition	—	—	—	—	5,404	—	—	—	5,404
Common stock purchased under share repurchase program	—	—	(925)	(20,333)	—	—	—	—	(20,333)
Common stock purchased from retirement plan participants	(3)	—	—	—	(73)	—	—	—	